

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name Mid-Michigan Community Fire Board	County Gratiot and Midland
Fiscal Year End June 30, 2006	Opinion Date August 24, 2006	Date Audit Report Submitted to State November 2, 2006	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

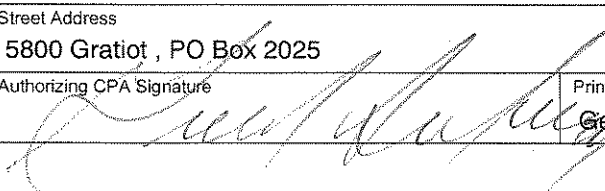
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input type="checkbox"/>	No letter of comments and recommendations	
Other (Describe)	<input type="checkbox"/>		
Certified Public Accountant (Firm Name) Rehmann Robson		Telephone Number (989)799-9580	
Street Address 5800 Gratiot, PO Box 2025		City Saginaw	State MI
Zip 48605			
Authorizing CPA Signature 		Printed Name Gerald J. Desloover, CPA	License Number 1101007126

**MID-MICHIGAN COMMUNITY FIRE BOARD
GRATIOT AND MIDLAND COUNTIES,
MICHIGAN**

Financial Statements

For the Year Ended June 30, 2006

MID-MICHIGAN COMMUNITY FIRE BOARD

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REHMANN ROBSON

Certified Public Accountants

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INDEPENDENT AUDITORS' REPORT

August 24, 2006

Fire Administrative Board
Mid-Michigan Community Fire Board
Gratiot and Midland Counties, Michigan
Saint Louis, Michigan

We have audited the accompanying financial statements of the governmental activities and the major fund of the **Mid-Michigan Community Fire Board**, "Fire Board", as of and for the year ended June 30, 2006, which collectively comprise the Fire Board's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the **Mid-Michigan Community Fire Board's** management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the **Mid-Michigan Community Fire Board**, as of June 30, 2006, and the respective changes in financial position thereof and the budgetary comparison for the general fund, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The Board has not presented Management's Discussion and Analysis (MD&A) as required supplementary information that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be, part of the basic financial statements.

BASIC FINANCIAL STATEMENTS

MID-MICHIGAN COMMUNITY FIRE BOARD
GRATIOT AND MIDLAND COUNTIES, MICHIGAN
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUND BALANCE SHEET
June 30, 2006

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>
Assets			
Cash and cash equivalents	\$ 182,015	\$ -	\$ 182,015
Investments	117,758	-	117,758
Accounts receivable	1,779	-	1,779
Accrued interest receivable	3,630	-	3,630
Prepaid items	1,147	-	1,147
Capital assets, net of depreciation	-	243,389	243,389
	<hr/>	<hr/>	<hr/>
Total assets	<u>\$ 306,329</u>	<u>243,389</u>	<u>549,718</u>
Liabilities			
Accounts payable	866	-	866
Accrued liabilities	843	-	843
	<hr/>	<hr/>	<hr/>
Total liabilities	<u>1,709</u>	<u>-</u>	<u>1,709</u>
Fund Balance/Net Assets			
Fund balance			
Unreserved - designated for equipment replacement	101,130	(101,130)	-
Unreserved	203,490	(203,490)	-
	<hr/>	<hr/>	<hr/>
Total fund balance	<u>304,620</u>	<u>(304,620)</u>	<u>-</u>
Total fund balance and liabilities	<u>\$ 306,329</u>		
Net assets			
Invested in capital assets		243,389	243,389
Unrestricted		-	304,620
		<hr/>	<hr/>
Total net assets		<u>\$ 243,389</u>	<u>\$ 548,009</u>

The accompanying notes are an integral part of these financial statements.

**MID-MICHIGAN COMMUNITY FIRE BOARD
GRATIOT AND MIDLAND COUNTIES, MICHIGAN
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUND STATEMENT
OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
For the year ended June 30, 2006**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues			
Charges for services	\$ 193,550	\$ -	\$ 193,550
Interest and rent	7,834	-	7,834
Donations	500	-	500
Other	2,600	-	2,600
	<hr/>	<hr/>	<hr/>
Total revenues	204,484	-	204,484
	<hr/>	<hr/>	<hr/>
Expenditures/expenses			
Fire Protection:			
Personnel services	88,664	-	88,664
Supplies	15,270	-	15,270
Other services and charges	43,980	-	43,980
Capital outlay	6,264	-	6,264
Depreciation	-	37,468	37,468
Debt service:			
Principal	36,431	(36,431)	-
Interest and fiscal charges	2,285	(1,036)	1,249
	<hr/>	<hr/>	<hr/>
Total expenditures/expenses	192,894	1	192,895
	<hr/>	<hr/>	<hr/>
Net change in fund balance/net assets	11,590	(1)	11,589
	<hr/>	<hr/>	<hr/>
Fund balance/net assets, beginning of the year	293,030	243,390	536,420
	<hr/>	<hr/>	<hr/>
Fund balance/net assets, end of the year	<u>\$ 304,620</u>	<u>\$ 243,389</u>	<u>\$ 548,009</u>

The accompanying notes are an integral part of these financial statements.

**MID-MICHIGAN COMMUNITY FIRE BOARD
GRATIOT AND MIDLAND COUNTIES, MICHIGAN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For the year ended June 30, 2006**

	Original Budget	Amended Budget	Actual	Over (Under) Budget
Revenues				
Charges for services	\$ 179,450	\$ 179,450	\$ 193,550	\$ 14,100
Interest and rent	2,750	2,750	7,834	5,084
Donations	-	-	500	500
Other	4,000	4,000	2,600	(1,400)
Total revenues	<u>186,200</u>	<u>186,200</u>	<u>204,484</u>	<u>18,284</u>
Expenditures				
Fire Protection:				
Personnel services	106,000	106,000	88,664	(17,336)
Supplies	12,550	12,550	15,270	2,720
Other services and charges	38,300	38,300	43,980	5,680
Capital outlay	13,400	92,350	6,264	(86,086)
Debt service:				
Principal	16,500	16,500	36,431	19,931
Interest and fiscal charges	3,800	3,800	2,285	(1,515)
Total expenditures	<u>190,550</u>	<u>269,500</u>	<u>192,894</u>	<u>(76,606)</u>
Net change in fund balance	(4,350)	(83,300)	11,590	94,890
Fund balance, beginning of the year	<u>293,030</u>	<u>293,030</u>	<u>293,030</u>	<u>-</u>
Fund balance, end of the year	<u>\$ 288,680</u>	<u>\$ 209,730</u>	<u>\$ 304,620</u>	<u>\$ 94,890</u>

The accompanying notes are an integral part of these financial statements.

MID-MICHIGAN COMMUNITY FIRE BOARD

NOTES TO FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

The Mid-Michigan Community Fire Board was established April 1, 1982, for the purpose of providing fire protection to it's members of local governments: the City of Saint Louis, and the Townships of Bethany, Pine River, and Jasper. The accompanying financial statements present the Fire Board's operations for the government as a whole.

The basic criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's financial report is the exercise of financial responsibility over such agencies by the governmental unit's elected officials, the selection of the governing authority, the designation of management, or the ability to exert significant influence on operations.

The Fire Board does not meet the criteria to be included in the financial statements of the creating governments because they do not have the requisite degree of oversight responsibility. In addition, there are no other governmental units' financial statements, for which the Fire Board has oversight responsibility, which should be included in the accompanying financial statements.

B. Government-wide and fund financial statements

As permitted by GASB Statement No. 34, the Fire Board uses an alternative approach reserved for single program governments to present combined government-wide and fund financial statements by using a columnar format that reconciles individual line items of fund financial data to government-wide data in a separate column. Accordingly, this is presented in the Statement of Net Assets and Governmental Fund Balance Sheet and the Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balances. The Fire Board's major fund, the General Fund, is reported in a separate column in the aforementioned financial statements.

MID-MICHIGAN COMMUNITY FIRE BOARD

NOTES TO FINANCIAL STATEMENTS

C. Measurement focus, basis of accounting and financial statement presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Tri-party contributions and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Fire Board considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board.

D. Deposits and investments

Cash and cash equivalents consist of deposits in checking accounts, other demand accounts and certificates of deposit with an original maturity date less than 90 days from the original issue date.

E. Capital assets

Capital assets, which include property, plant, and equipment are reported in the statement of net assets. Capital assets are defined by the government as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or

MID-MICHIGAN COMMUNITY FIRE BOARD

NOTES TO FINANCIAL STATEMENTS

constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Equipment is depreciated using the straight-line method over the following useful lives:

Machinery & equipment	3 to 15 years
Vehicles	6 to 20 years

2. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of differences between the governmental fund balance sheet and the statement of net assets

Fund Balance – General Fund	\$ 304,620
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Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund.

Cost of capital assets	598,052
Accumulated depreciation	<u>(354,663)</u>

Net assets of governmental activities	<u>\$ 548,009</u>
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MID-MICHIGAN COMMUNITY FIRE BOARD

NOTES TO FINANCIAL STATEMENTS

B. Explanation of differences between the governmental fund statement of revenues, expenditures and changes in fund balances and the government-wide statement of activities

Net change in fund balance – General Fund \$ 11,590

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation expense (37,468)

Interest on long-term debt is not accrued in the fund, but is recognized as a liability in the statement of net assets. 1,036

Principal repayment on a capital lease is an expenditure in the governmental fund, but reduces long-term liabilities in the statement of net assets. 36,431

Change in net assets of governmental activities \$ 11,589

3. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. Budgetary information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles. All annual appropriations lapse at fiscal year end. The budget document presents information by fund, function, department or activity, and line items. The legal level of budgetary control adopted by the governing body is at the activity level.

MID-MICHIGAN COMMUNITY FIRE BOARD

NOTES TO FINANCIAL STATEMENTS

B. Excess of expenditures over appropriations

The General Fund expenditures exceeded appropriations at the legal level of budgetary control as follows:

	<u>Budget</u>	<u>Actual</u>	<u>Unfavorable Variance</u>
Fire Protection:			
Supplies	\$ 12,550	\$ 15,270	\$ 2,720
Other services and charges	38,300	43,980	5,680
Debt Service:			
Principal	16,500	36,431	19,931

4. DEPOSITS AND INVESTMENTS

	<u>Carrying Amount</u>
Government-wide Financial Statement Captions	
Cash and cash equivalents	\$ 182,015
Investments	<u>117,758</u>
Total	<u><u>299,773</u></u>
Notes to the Financial Statements	
Deposits	<u><u>\$ 299,773</u></u>

Michigan law authorizes the Fire Board to deposit and invest in:

- a. Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified institution.
- c. Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of purchase.
- d. Bankers acceptances of United States banks.

MID-MICHIGAN COMMUNITY FIRE BOARD

NOTES TO FINANCIAL STATEMENTS

- e. Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- f. Mutual funds registered under the investments company act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- g. External investment pools as authorized by Public Act 20 as amended through 12/31/97.

The Fire Board's investment policy has authorized investment in bonds and securities of the United States government and bank accounts and certificates of deposit, but not the remainder of State statutory investments.

Investment and deposit risk

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the list of authorized investments above.

Credit Risk. State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments above.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Fire Board's deposits may not be returned. State law does not require and the Fire Board does not have a policy for deposit custodial credit risk. As of year end \$103,105 of the Fire Board's bank balance of \$303,105 was exposed to custodial credit risk because it was uninsured and uncollateralized.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Fire Board will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the Fire Board does not have a policy for investment custodial credit risk.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk. The Fire Board's investment policy does not have specific limits in excess of state law on concentration of credit risk.

MID-MICHIGAN COMMUNITY FIRE BOARD

NOTES TO FINANCIAL STATEMENTS

5. CAPITAL ASSETS

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Disposals</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets being depreciated:				
Machinery and equipment	\$ 182,863	\$ -	\$ -	\$ 182,863
Vehicles	<u>415,189</u>	<u>-</u>	<u>-</u>	<u>415,189</u>
Total capital assets being depreciated	<u>598,052</u>	<u>-</u>	<u>-</u>	<u>598,052</u>
Less accumulated depreciation				
Machinery and equipment	(85,596)	(16,001)	-	(101,597)
Vehicles	<u>(231,599)</u>	<u>(21,467)</u>	<u>-</u>	<u>(253,066)</u>
Total accumulated depreciation	<u>(317,195)</u>	<u>(37,468)</u>	<u>-</u>	<u>(354,663)</u>
Capital assets being depreciated, net	<u>280,857</u>	<u>(37,468)</u>	<u>-</u>	<u>243,389</u>
Governmental activities capital assets, net	<u>\$ 280,857</u>	<u>\$ (37,468)</u>	<u>\$ -</u>	<u>\$ 243,389</u>

Depreciation expense was charged to the Fire Protection program of the Fire Board.

6. RISK MANAGEMENT

The Fire Board is exposed to various risks of loss related to property loss, torts, theft, damage and destruction of property, errors and omissions, employee injuries (workers compensation) and natural disasters. The Fire Board manages these risks by obtaining commercial insurance coverage for these types of claims through a policy held by the City of Saint Louis, Michigan. There have been no settlements that exceeded insurance coverage in the past three fiscal years.

MID-MICHIGAN COMMUNITY FIRE BOARD

NOTES TO FINANCIAL STATEMENTS

7. LEASES

The Fire Board has entered into a lease agreement as lessee for financing the purchase of a fire vehicle. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the net present value of the future minimum lease payments as of the inception date. The gross amount of assets under capital leases is \$170,529. The accumulated amortization on the above assets is \$78,870. The net value of \$91,659 is included in vehicles. The lease was paid off in the current year with principal payments of \$36,431 and interest expense of \$2,285 for the year ended June 30, 2006.

Changes in Long-Term Debt

Long-term liability activity for the year ended June 30, 2006 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Lease	\$ 36,431	\$ -	\$ (36,431)	\$ -	\$ -

MID-MICHIGAN COMMUNITY FIRE BOARD

NOTES TO FINANCIAL STATEMENTS

8. MEMBER CONTRIBUTIONS

Participating members of the Fire Board make annual contributions based on the number of fire runs and the number of rescue runs. The contributions for fire runs is based on the proportion of each member's number of fire runs compared to the total fire runs for all entities during the four previous fiscal years. The rescue run contribution is based on the number of rescue runs made for each member for the previous fiscal year multiplied by a rate established by the Fire Board. The amount of contributions by each member for the fiscal year ended June 30, 2006, follows:

		<u>Fire Runs</u>	<u>Rescue Runs</u>	<u>Total Contributions</u>
City of St. Louis	35%	48,445	12,250	\$ 60,695
Bethany Township	18%	35,080	3,850	38,930
Jasper Township	24%	43,433	3,950	47,383
Pine River Township	<u>23%</u>	<u>40,092</u>	<u>6,450</u>	<u>46,542</u>
Total	<u>100%</u>	<u>167,050</u>	<u>26,500</u>	<u>\$ 193,550</u>

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